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Matrix Energy, LLC

107 Dennis Drive
Lexington, KY 40503 PUBLIC SERVICE
Telephone: (859) 278-9903 COMMISSION
Facsimile: (859) 278-9875
E-Mail: stephanie@czarky.net

Stephanie H. Peniston
Legal Assistant

June 12, 2003

**VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602
ATTN: Thomas M. Dorman, Executive Director

**Re: Application of Matrix Energy, LLC for Determination of Retail Electric
Supplier**

Dear Mr. Dorman:

Pursuant to 807 KAR 5:001, please find enclosed the above-referenced application of Matrix Energy, LLC (the "Application"). As required under Section 8, one (1) original and ten (10) copies of the Application are being submitted for filing.

Thank you for your consideration in this matter. If you should have any questions regarding the enclosed Application, please feel free to contact Rebecca S. Gohmann, counsel for Matrix Energy, LLC, at (859) 278-9903.

Very truly yours,


Stephanie H. Peniston

Enclosures:

Original and 10 copies of Application

cc: American Electric Power
Big Sandy RECC
Craig S. Preece
Paul Horn

MISS. BOOK 4016
PAGE NUMBER 574
DATE 04-29-02

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LAOO

John Y. Brown III
Secretary of State
Received and Filed
04/24/2002 08:14 AM
Fee Receipt: \$40.00

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PUBLIC SERVICE
COMMISSION

ARTICLES OF ORGANIZATION
OF
MATRIX ENERGY, LLC

The undersigned person sets forth the following Articles of Organization for the purpose of organizing a limited liability company (the "Company") under the Kentucky Limited Liability Company Act:

ARTICLE I

NAME

The name of the Company is: Matrix Energy, LLC

ARTICLE II

REGISTERED OFFICE AND AGENT

The street address of the Company's initial registered office is 107 Dennis Drive, Lexington, Kentucky 40503, and the name of the Company's initial registered agent at that office is Rebecca S. Gohmann.

ARTICLE III

PRINCIPAL OFFICE

The mailing address of the initial principal office of the Company is Fast Lane Office Building, Route 292, Lovely, Kentucky 41231.

ARTICLE IV

MANAGEMENT

The Company is to be managed by its members.

Return to:

Rebecca S. Gohmann, Esq.
Czar Coal Corporation
107 Dennis Drive
Lexington, KY 40503

ARTICLE V

EXISTENCE

The Company's existence shall continue until dissolved in accordance with its Operating Agreement or applicable law.

Dated: April 23, 2002

Rebecca S. Gohmann
REBECCA S. GOHMANN, Organizer

STATEMENT OF CONSENT OF REGISTERED AGENT

Pursuant to KRS Chapter 275, the undersigned, named as the initial registered agent in the Articles of Organization of Matrix Energy, LLC (the "Company"), hereby consents to serve the Company in that capacity until such appointment is terminated in accordance with the Kentucky Limited Liability Company Act.

Rebecca S. Gohmann
REBECCA S. GOHMANN

Date: April 23, 2002

State of Kentucky County of Martin. 307
I, Carol Sue Mills, Clerk of the County and
State of Kentucky, do certify that on the
day of April, 2002 at 4:30 PM
the foregoing HOA was lodged in my
office for record, and that I truly have
recorded it, together with this and the
foregoing certificate, thereon endorsed.
Witness my hand this the 29 day of
April, 2002.
CAROL SUE MILLS, Martin County Clerk
BY [Signature] D.C.

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COMMISSION

No. _____

APPLICATION

The petition of Matrix Energy, LLC (“Applicant”) respectfully shows:

- (a) That Applicant is engaged in the business of coal mining.
- (b) That the post office address of the Applicant is P.O. Box 190, Lovely, Kentucky

(c) That Applicant is in the process of developing a new slope mine (the "Mine") in Boone and Martin Counties, Kentucky. A map of the proposed mine is attached hereto as Exhibit A. The Mine will develop the Alma coal seam some 400 ft. below drainage. The location of the Mine will be located in the Big Sandy RECC service district, however, only twelve percent (12%) of the minable reserves are located in this service district. The remaining eighty-eight percent (88%) of the minable reserves are located in the American Electric Power ("AEP") service district. The territorial districts are shown on Exhibit A. As mining continues in the Mine, additional power boreholes will be needed to supply power to the underground workings. Applicant has identified three (3) areas in which it believes additional power boreholes are needed. These three areas are in the AEP service district. Nevertheless, Big Sandy

RECC, which has no facilities in the area, proposes to serve the mine through an interconnection with AEP's nearby 69 kV line.

KRS 278.018(1) provides that "[i]n the event that a new electric-consuming facility should locate in two or more adjacent certified territories, the commission shall determine which retail electric supplier shall serve said facility based on criteria in KRS 278.017(3). Application of the factors enumerated at KRS 278.017(3) indicates that AEP should be designated as the retail electric supplier for the Mine. Specifically:

- (i) AEP has the only existing infrastructure in this remote area, making AEP's existing facilities closest to the Mine. KRS 278.017(3)(a). As a result, its existing facilities are available to provide adequate and dependable service. KRS 278.017(3)(c). In fact, Big Sandy proposes to use AEP's facilities in part to provide service to the Mine.
- (ii) Permitting AEP to provide service to the entire Mine facility (instead of the 88% that lies within its service territory) will eliminate duplication of service facilities. KRS 278.017(3)(d). Indeed, although service can be provided to the initial phase of the project from Big Sandy RECC's service territory (using AEP's existing 69 kV line), this initial service cannot be used to serve the later phases, which must be served through the bore holes in AEP certified territory. As a result, requiring Applicant to take its initial service from Big Sandy RECC will result in redundancy of facilities.

WHEREFORE, Applicant asks that the Public Service Commission of the Commonwealth of Kentucky make its order authorizing applicant to use AEP to supply one hundred percent (100%) of the power to the Mine.

Dated at Lexington, Fayette County, Kentucky, this 12th day of June, 2003.

Respectfully submitted:

By: Rebecca S. Gohmann
Rebecca S. Gohmann
Counsel for Matrix Energy, LLC
107 Dennis Drive
Lexington, KY 40503
(859) 278-9903

CERTIFICATE OF SERVICE

This certifies that a true and accurate copy of the foregoing Application has been sent by U.S. mail, postage prepaid this the 12th day of June, 2003 to:

American Electric Power
Attn: Errol Wagner
P.O. Box 5190
Frankfort, KY 40602

and

Big Sandy RECC
ATTN: Bruce Davis
P.O. Box 1746
Paintsville, KY 41240

Rebecca S. Gohmann
COUNSEL FOR MATRIX ENERGY, LLC